

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 16, 2018

TEAM MANAGER: Luis Farias

APPLICANT	City of Wills Point
TYPE OF ASSISTANCE	\$4,500,000 Financing
LEGAL PLEDGE	Ad Valorem Tax and Surplus Revenue of the Waterworks and Sewer System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the City of Wills Point (Van Zandt County) for \$4,500,000 in financing from the Drinking Water State Revolving Fund for the planning, design, and construction of water treatment plant improvements.

PROJECT

Upgrade Water Treatment Plant
Project Number 62798

BACKGROUND

The City of Wills Point (City) is located approximately one hour east of Dallas and serves 1,968 water and wastewater connections.

The City of Wills Point (City) operates an aging water treatment plant (WTP) that has been cited by Texas Commission on Environmental Quality (TCEQ) and is in need of several improvements to improve efficiency and provide quality water to its customers.

The City will rehabilitate the waste discharge pond, add new filters, and provide an air gapped connection on the filter-to-waste line. Other improvements to the plant include variable frequency drives for pumps at the raw water intake, a dedicated elevated storage tank for filter backwash, incorporation of chemical feed equipment with the SCADA system, an improved catwalk for clarifier access, a permanent manifold system for the chlorine building, and other improvements to the treatment plant. An asset management plan will be prepared as a part of this project.

FINANCIAL

Key Issues

None.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE OCTOBER 31, 2019.

Pledge and Repayment

The City is pledging ad valorem taxes and surplus revenues for the repayment of the proposed financing. The City's current combined average monthly water and wastewater rate is \$82.82. The City currently collects an interest and sinking fund (I&S) tax at a rate of \$0.25 per \$100 of taxable assessed valuation.

The current revenues available for debt service in the first year of principal repayment provide a coverage ratio of 0.71 times the current and proposed debt service. The City may need to increase system rates, the I&S tax rate, or a combination of the two to meet the 1.10 times coverage requirement. The City increased water rates by \$3.00 for fiscal year 2018 and plans to increase rates again for fiscal year 2019. Based on current estimated interest rates, no growth, and the City's most recent audited financials, an additional rate increase of \$11.49 may be needed to meet the existing and proposed debt service requirements.

Cost Savings

Based on a 25-year maturity and current interest rates, the City could save approximately \$672,711 over the life of the financing.

Internal Risk Score

Staff assigns a 2B to the City, and the proposed project to be funded by the Texas Water Development Board. This means that the City's payment capacity is adequate.

The results of the City's financial sustainability indicators are adequate. These more heavily weighted risk score indicators show the City's short-term and long-term ability to repay the debt. The current revenues available for debt service provide a coverage ratio of 0.71 times the current and proposed debt service in the first year of principal repayment. Prior to closing on the financing, the City will need to demonstrate that sufficient rates are in place to meet the 1.10 times coverage requirement. In addition, the City's level of reinvestment in the assets of the utility's infrastructure is moderate with an asset condition ratio of 22 years. An asset condition ratio of 12 to 24 years is considered typical.

The City's socioeconomic indicators are mixed when compared to the state overall. The City's population has remained steady since 2010 with only a modest increase, while the population of the state overall has increased at an annual rate of 1.08 percent. The City's median household income is \$38,380, which is 70 percent of the median for the state overall. The average, unadjusted, unemployment rate for Van Zandt County was 3.7 percent in July 2018, compared to 4.0 percent in the state overall.

Including the estimated rate increase, the utility system rates are elevated with a projected household cost factor of 3.04 percent for water and wastewater services. The industry benchmark for the household cost factor is 2 percent for the two services. The utility system maintains strong reserves with unrestricted cash and short-term investments of approximately 254 days of the operating expenses of the utility system. This is a high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity. However, the City's level of reserves in the General Fund is low with the unassigned fund balance representing 3 percent of total general fund expenditures.

The City's overall debt burden is low, and most of the debt is supported by the utility system. The utility system self-supporting debt compared to operating revenues, including the proposed loan, is low at 3.67. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. Similarly, the debt that is paid with ad valorem tax revenues is low at 1.85 percent of the total taxable value of properties in the City. A ratio of 5 percent is considered high, and over 12 percent is not recommended.

Finally, the City has steady taxable assessed value growth over the last five years and a high collection rate at over 97 percent. The total assessed valuation of taxable properties on a per capita basis is moderate at \$38,246. An assessed value per capita between \$30,000 and \$64,999 is considered adequate.

While many of the City's financial and socioeconomic indicators are moderate, and projected utility system rates are elevated, the City has a low level of debt, stable assessed value growth, and maintains strong reserve levels in the utility system. The City is assigned risk score of 2B.

LEGAL

Key Issues

None.

Conditions

Standard Drinking Water State Revolving Fund, tax-exempt, and tax and surplus net revenue conditions and further conditioned as follows:

- Standard emergency discovery conditions.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (18-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	City of Wills Point
Program	Drinking Water State Revolving Fund
Commitment Code	L1000888
Project Number	62798
Intended Use Plan Year	2018
Type of Pledge	3- Combo Tax and Rev
Revenue Pledge Level	Third
Legal Description	\$4,500,000 City of Wills Point, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2019
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	3,524
Rural	Yes
Water Connections	1,968
Wastewater Connections	1,968
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	No
Funding Phase Code	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	A
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Joe Koen
Environmental Reviewer	Chris Caran
Attorney	Ashley Nwonuma

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Wills Point

\$4,500,000 City of Wills Point, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2019

Dated Date: 2/1/2019
 Delivery Date: 2/1/2019
 First Interest: 8/15/2019
 First Principal: 8/15/2019
 Last Principal: 8/15/2043
 Fiscal Year End: 09/30
 Required Coverage: 1.1

Source: DWSRF
 Rate: 1.60%
 IUP Year: 2018
 Case: Revenues
 Admin.Fee: \$94,714
 Admin. Fee Payment Date: 2/1/2019
 Total Assessed Valuation: \$135,315,181

FISCAL YEAR	CURRENT TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$4,500,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE	
						PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2019	\$0.250	\$304,459	\$583,412	\$887,871	\$601,463	\$135,000	1.60%	\$38,800	\$173,800	\$775,263	1.15	
2020	\$0.250	304,459	\$583,412	887,871	602,315	135,000	1.60%	69,840	204,840	807,155	1.10	
2021	\$0.250	304,459	\$583,412	887,871	567,819	140,000	1.60%	67,680	207,680	775,499	1.14	
2022	\$0.250	304,459	\$583,412	887,871	502,750	145,000	1.60%	65,440	210,440	713,190	1.24	
2023	\$0.250	304,459	\$583,412	887,871	501,650	145,000	1.60%	63,120	208,120	709,770	1.25	
2024	\$0.250	304,459	\$583,412	887,871	505,250	150,000	1.60%	60,800	210,800	716,050	1.24	
2025	\$0.250	304,459	\$583,412	887,871	501,425	155,000	1.60%	58,400	213,400	714,825	1.24	
2026	\$0.250	304,459	\$583,412	887,871	497,250	160,000	1.60%	55,920	215,920	713,170	1.24	
2027	\$0.250	304,459	\$583,412	887,871	502,725	160,000	1.60%	53,360	213,360	716,085	1.24	
2028	\$0.250	304,459	\$583,412	887,871	502,500	165,000	1.60%	50,800	215,800	718,300	1.24	
2029	\$0.250	304,459	\$583,412	887,871	500,625	170,000	1.60%	48,160	218,160	718,785	1.24	
2030	\$0.250	304,459	\$583,412	887,871	503,188	175,000	1.60%	45,440	220,440	723,628	1.23	
2031	\$0.250	304,459	\$583,412	887,871	-	175,000	1.60%	42,640	217,640	217,640	4.08	
2032	\$0.250	304,459	\$583,412	887,871	-	180,000	1.60%	39,840	219,840	219,840	4.04	
2033	\$0.250	304,459	\$583,412	887,871	-	185,000	1.60%	36,960	221,960	221,960	4.00	
2034	\$0.250	304,459	\$583,412	887,871	-	190,000	1.60%	34,000	224,000	224,000	3.96	
2035	\$0.250	304,459	\$583,412	887,871	-	195,000	1.60%	30,960	225,960	225,960	3.93	
2036	\$0.250	304,459	\$583,412	887,871	-	200,000	1.60%	27,840	227,840	227,840	3.90	
2037	\$0.250	304,459	\$583,412	887,871	-	205,000	1.60%	24,640	229,640	229,640	3.87	
2038	\$0.250	304,459	\$583,412	887,871	-	210,000	1.60%	21,360	231,360	231,360	3.84	
2039	\$0.250	304,459	\$583,412	887,871	-	215,000	1.60%	18,000	233,000	233,000	3.81	
2040	\$0.250	304,459	\$583,412	887,871	-	220,000	1.60%	14,560	234,560	234,560	3.79	
2041	\$0.250	304,459	\$583,412	887,871	-	225,000	1.60%	11,040	236,040	236,040	3.76	
2042	\$0.250	304,459	\$583,412	887,871	-	230,000	1.60%	7,440	237,440	237,440	3.74	
2043	\$0.250	304,459	\$583,412	887,871	-	235,000	1.60%	3,760	238,760	238,760	3.72	
					\$23,054,155	\$6,288,960	\$4,500,000		\$990,800	\$5,490,800	\$11,779,760	

AVERAGE (MATURITY) LIFE	13.76 YEARS
NET INTEREST RATE	1.600%
COST SAVINGS	\$ 672,711
AVERAGE ANNUAL REQUIREMENT	\$471,190

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

**Wills Point
62798 Upgrade Water Treatment Plant
Engineering and Environmental Review**

Engineering:

Key Issues:

None.

Project Need/Description

Project Need: The City of Wills Point (City) operates an aging water treatment plant (WTP) that has been cited by Texas Commission on Environmental Quality (TCEQ) and is in need of several improvements to improve efficiency and provide quality water to its customers.

Project Description: The City will rehabilitate the waste discharge pond, add new filters, and provide an air gapped connection on the filter-to-waste line. Other improvements to the plant include variable frequency drives for pumps at the raw water intake, a dedicated elevated storage tank for filter backwash, incorporation of chemical feed equipment with the SCADA system, an improved catwalk for clarifier access, a permanent manifold system for the chlorine building, and other improvements to the treatment plant. An asset management plan will be prepared as a part of this project.

Project Schedule:

Project Task	Schedule Date
Closing	2/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	5/30/2019
Design Phase Complete	10/31/2019
Start of Construction	1/6/2020
Construction Completion	3/31/2021

Environmental Section:

Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 371.42, the environmental review of the proposed project has been completed. A Categorical Exclusion was issued on June 27, 2018. The proposed project is in compliance with the National Environmental Policy Act. In addition to the standard emergency discovery conditions for threatened and endangered species and cultural resources, the project must comply with the following condition: Prior to construction within the floodplain, a floodplain permit or waiver must be obtained from the local floodplain administrator, pursuant to the requirements of the National Flood Insurance Program.

Budget Items	This Commitment	Total
Construction		
Construction	\$3,405,000.00	\$3,405,000.00
Subtotal for Construction	\$3,405,000.00	\$3,405,000.00
Basic Engineering Services		
Construction Engineering	\$160,000.00	\$160,000.00
Design	\$385,000.00	\$385,000.00
Planning	\$65,250.00	\$65,250.00
Subtotal for Basic Engineering Services	\$610,250.00	\$610,250.00
Special Services		
Special Service Other (Asset Management Plan)	\$25,000.00	\$25,000.00
Subtotal for Special Services	\$25,000.00	\$25,000.00
Fiscal Services		
Bond Counsel	\$30,000.00	\$30,000.00
Financial Advisor	\$47,000.00	\$47,000.00
Fiscal/Legal	\$5,000.00	\$5,000.00
Issuance Costs	\$3,000.00	\$3,000.00
Loan Origination Fee	\$94,714.00	\$94,714.00
Subtotal for Fiscal Services	\$179,714.00	\$179,714.00
Contingency		
Contingency	\$280,036.00	\$280,036.00
Subtotal for Contingency	\$280,036.00	\$280,036.00
Total	\$4,500,000.00	\$4,500,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,500,000 TO CITY OF WILLS POINT
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$4,500,000 CITY OF WILLS POINT, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
PROPOSED SERIES 2019

(18 -)

WHEREAS, the City of Wills Point (City), located in Van Zandt, has filed an application for financial assistance in the amount of \$4,500,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62798; and

WHEREAS, the City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$4,500,000 City of Wills Point, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2019 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the City has offered a pledge of ad valorem taxes and surplus revenues of the City's waterworks and sewer system as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the City has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the

project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the Executive Administrator issued a Categorical Exclusion on June 27, 2018, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the City of Wills Point for financial assistance in the amount of \$4,500,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$4,500,000 City of Wills Point, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Proposed Series 2019. This commitment will expire on October 31, 2019.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the City;
3. this commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the City, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the City's Obligations or obligated persons, will, at

a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the City to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the City to submit a final accounting and disposition of any unused funds;
8. the Obligations must include a provision requiring the City to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) deposit into a reserve fund;
9. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
10. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
11. loan proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the City agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated

sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

12. prior to closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
13. prior to closing, and if not previously provided with the application, the City shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the City shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
15. the Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Conditions Related To Tax-Exempt Status

17. the City's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the City when rendering this opinion;
18. the City's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion;
19. the Obligations must include a provision prohibiting the City from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

20. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

21. the Obligations must include a provision requiring the City take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the City will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB’s Source Series Bonds from the gross income of the

owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
22. the Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 23. the Obligations must provide that the City will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 149(b) of the Code;
 24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 25. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
 26. the Obligations must provide that neither the City nor a related party thereto will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the City by the TWDB;

State Revolving Fund Conditions

27. the City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
28. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor’s implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts

and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;

29. the Obligations must include a provision stating that the City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
30. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the City will adhere to the approved project schedule;
31. The Obligations must contain a covenant that the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

Drinking Water State Revolving Fund Conditions

32. prior to or at closing, the City shall pay a 2.15% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371 and the applicable Intended Use Plan;
33. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the City has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

Pledge Conditions for the Loan

35. the Obligations must contain a provision that provides as follows:
 - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or

- b. if surplus revenues are based upon budgeted amounts:
 - i. the Obligations must include a requirement that the City transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance authorizing the issuance of the Obligations must include a requirement that the City shall not transfer any funds from the City's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;

the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and
 - ii. the Obligations must include a requirement that the City shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the City and other obligations of the City which are secured in whole or in part by the pledged revenues, for which the City is budgeting the repayment of such Obligations, or the City shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements;

PROVIDED, however, the commitment is subject to the following special condition:

Special Condition:

- 45. the City must comply with all conditions as specified in the final environmental finding of the Executive Administrator, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

APPROVED and ordered of record this 16th day of October, 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake
Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE: **Approvable** **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

WATER LOSS AUDIT YEAR:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements? Yes No NA

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.



City of Wills Point Van Zandt County

